

Message Text

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CIAE-00 DODE-00 INR-07 NSAE-00 PA-01 USIA-06 PRS-01

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C O N F I D E N T I A L LIMA 10479

EO 11652: GDS
TAGS: ETRD, EEWT, PE,UR
SUBJ: SOVIET TRADE DELEGATION SIGNS AGREEMENTS WITH GOP

REF: MOSCOW 6709 (75)

1. SUMMARY: A VICE MINISTERIAL-LEVEL SOVIET TRADE MISSION VISITED PERU LAST WEEK AND SIGNED AND AGREEMENT ON SCIENTIFIC AND TECHNICAL COOPERATION AND ANOTHER EXTENDING AN UNSPECIFIED AMOUNT OF COMMERCIAL CREDIT. PERU CONTRACTED TO PROVIDE 3 BILLION SOLES WORTH OF MINERALS, COTTON AND COFFEE IN 1977. THE MISSION, WHICH WAS RECEIVED BY PRESIDENT MORALES BERMUDEZ, APPEARS TO BE A FURTHER EFFORT TO PROTECT SOVIET INTERESTS HERE IN AN ATMOSPHERE LESS HOSPITABLE THAN BEFORE. END SUMMARY.

2. A SOVIET TRADE MISSION LED BY VICE MINISTER OF FOREIGN COMMERCE ALEXEY MANZHULO WOUND UP A WEEK-LONG SESSION OF THE JOINT PERUVIAN-SOVIET TRADE COMMITTEE BY SIGNING TWO BASIC AGREEMENTS WITH THE GOP. THE FIRST, SIGNED NOVEMBER 11, WAS AN AGREEMENT ON SCIENTIFIC AND TECHNICAL COOPERATION. IT REPORTEDLY PROVIDES FOR EXCHANGE OF
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INFORMATION, JOINT CONFERENCES, JOINT DEVELOPMENT OF

TECHNICAL PROCESSES IN INDUSTRY, AGRICULTURE AND OTHER AREAS OF MUTUAL INTEREST, AND ESTABLISHES FELLOWSHIPS FOR POST-GRADUATE AND SPECIALIZED STUDIES.

3. THE SECOND AGREEMENT SIGNED THE SAME DAY GRANTED COMMERCIAL CREDITS TO COVER PERUVIAN PURCHASES FROM THE SOVIET UNION. NO TOTAL FIGURE WAS GIVEN, BUT THE PRESS REPORTS THAT THE TERMS PROVIDE FOR DEFERRED PAYMENT FOR UP TO TEN YEARS. INTEREST RATES ARE REPORTEDLY 4.5 PERCENT ANNUALLY FOR PURCHASES BY STATE ORGANS AND SOCIAL PROPERTY ENTERPRISES. OTHER NATIONAL ENTERPRISES WOULD PAY 5 PERCENT. THE AGREEMENT IS DESCRIBED AS STIPULATING THAT THE SOVIET UNION MAY ACQUIRE PERUVIAN GOODS EQUAL TO THE VALUE OF PERUVIAN PURCHASES ALREADY MADE, IF THE GOP DESIRES TO UTILIZE THIS METHOD OF REPAYMENT.

4. THE DAY FOLLOWING THESE AGREEMENTS THE MINISTRY OF COMMERCE ANNOUNCED THE SIGNING OF CONTRACTS TO SELL LEAD, ZINC, MOLYBDENUM, BISMUTH, COTTON AND COFFEE WORTH 3 BILLION SOLES (44.6 MILLION DOLLARS) TO THE SOVIET UNION IN 1977. (IN 1975 PERUVIAN SALES TO THE SOVIETS (OTHER THAN SUGAR) AMOUNTED TO ONLY 3.8 MILLION DOLLARS.) PAYMENT WILL REPORTEDLY BE IN CASH. THE AGREEMENTS PROVIDE FOR CONTINUING SALES UP TO 1980 WITH THE LEVELS FOR LATER YEARS TO BE SET BY FUTURE MEETING OF THE JOINT COMMITTEE. THE MINISTRY ALSO MADE KNOWN THAT THE SOVIETS HAD OFFERED TO SELL MERCHANT SHIPS AND THE GOP IS CONSIDERING THE POSSIBILITY IN VIEW OF THE NEED TO AUGMENT THE FLEET OF THE COMPANIA PERUANA DE VAPORES.

5. THE PRESS REPORTS THAT PRESIDENT MORALES BERMUDEZ RECEIVED THE SOVIET MISSION, BUT CARRIES NO PHOTOS OF THE MEETING OR STATEMENTS BY THE PARTIES INVOLVED. HOWEVER, FOREIGN MINISTER DE LA PUENTE RADBILL WHO SIGNED THE TECHNICAL COOPERATION AGREEMENT IS DESCRIBED AS EXPRESSING PARTICULAR PLEASURE AT THE SIGNING BASED ON HIS MEMORY OF YEARS SPENT AS AMBASSADOR IN MOSCOW. GENERALLY, PUBLICITY ON THE MISSION WAS STRAIGHTFORWARD WITH LITTLE APPARENT ATTEMPT TO INFLATE OR DOWNPLAY IT.

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6. AS A SIDELIGHT TO THE OFFICIAL REPORTING, PERUVIAN BUSINESS SOURCES HAVE ADVISED THE COMMERCIAL ATTACHE THAT THEY HAD BEEN URGED BY GOVERNMENT OFFICIALS AND BANKERS TO CONTACT THE MISSION AND ATTEMPT TO NEGOTIATE SALES. THE BUSINESSMEN WERE TOLD THAT THERE WOULD BE GREAT OPPORTUNITY FOR SALES SINCE THE SOVIETS WOULD BE OBLIGATED TO PURCHASE UP TO \$30 MILLION OF PERUVIAN GOODS. IT WOULD APPEAR THAT THESE POTENTIAL CONTRACTS WOULD SERVE AS PARTIAL PAYMENT

FOR HELICOPTERS AND OTHER EQUIPMENT ALREADY DELIVERED.
THE EMBASSY HAS NO EVIDENCE OF SUCH AN ARRANGEMENT.

7. THE AGREEMENTS REACHED THIS PAST WEEK APPEAR TO EXPAND CONSIDERABLY ON THOSE REACHED IN MOSCOW IN EARLY 1975 (REFTEL). ALTHOUGH WE HAVE NOT SEEN THE TEXT OF THAT EARLIER AGREEMENT WE NOTE THAT FOLLOWING AN OPENING MEETING OF THE JOINT COMMITTEE HERE, MINISTER OF COMMERCE LUIS ARIAS GRAZIANI INDICATED TO THE PRESS THAT TRADE BETWEEN THE TWO COUNTRIES DURING 1976 HAD DEVELOPED AS AGREED. HE CLAIMED PERU HAD MET OR WOULD MEET ALL OBLIGATIONS UNDERTAKEN TO PROVIDE FISHMEAL. HOWEVER, HE ACKNOWLEDGED THAT THERE HAD BEEN SOME TECHNICAL PROBLEMS IN SUPPLYING THE WOOL REQUIRED.

7. COMMENT: THE TRADE MISSION REPRESENTS THE LATEST EFFORTS TO PROTECT SOVIET INTERESTS HERE IN WHAT MAY BE PERCEIVED AS A LESS HOSPITABLE ATMOSPHERE THAN EXISTED IN YEARS PAST THROUGH THE USE OF COMMERCIAL CREDIT. AS IN THE CASE OF THE SU-22 DEAL, THE REPORTED OFFERS MUST SEEM PARTICULARLY TIMELY AND EVEN IRRESISTIBLE IN A TIME OF EXTREME SHORTAGES OF FOREIGN EXCHANGE.
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